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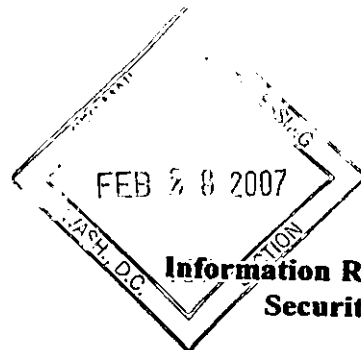
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
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8-50933



FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 1/9/06 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

CATALYST FINANCIAL LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

100 MILL PLAIN ROAD

(No. and Street)

DANBURY

(City)

CT  
(State)06811  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

STEVEN BRONSON203 791 3544  
(Area Code - Telephone Number)**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

JOHN P. COMPARATO CPA PC

(Name - if individual, state last, first, middle name)

PO BOX 588

(Address)

STONY BROOK

(City)

NY  
(State)11790  
(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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FOR OFFICIAL USE ONLY

THOMSON  
FINANCIAL

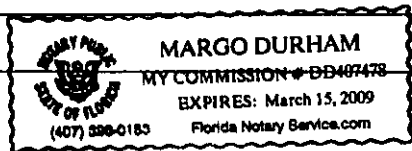
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, STEVEN N BRONSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CATALYST FINANCIAL LLC, as of DECEMBER 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Notary Public

2/26/07

Signature  
President  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CATALYST FINANCIAL LLC**  
**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2006**

**CATALYST FINANCIAL LLC  
INDEX**

**DECEMBER 31, 2006**

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JOHN P. COMPARATO C.P.A., P.C.

P.O. Box 588 ■ Stony Brook, NY 11790  
631.689.0400 ■ 631.689.2877 Fax

February 21, 2007

To the Board of Directors  
Catalyst Financial LLC

We have audited the accompanying statements of financial condition of Catalyst Financial LLC as of December 31, 2006 and the related statements of income, members' capital and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in conformity with generally accepted accounting principles, the financial position of Catalyst Financial LLC as of December 31, 2006, the results of its operations and cash flows for the year then ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole of Catalyst Financial LLC. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
John P. Comparato

**CATALYST FINANCIAL LLC**

**STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2006**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 180,152
Marketable Securities Owned, At Market Value	3,708,498
Due from Clearing Brokers	39,075
Other Investments	61,888
Security Deposit	4,333
Prepaid Expenses	7,551

-----  
4,001,497  
-----

**FIXED ASSETS**

Net of Accumulated Depreciation of \$ 46,939	2,280
--	-------

**TOTAL ASSETS**

-----  
\$ 4,003,777  
-----

**LIABILITIES AND MEMBERS' CAPITAL**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 3,450
---------------------------------------	----------

**MEMBERS' CAPITAL**

-----  
4,000,327  
-----

**TOTAL LIABILITIES AND MEMBERS' CAPITAL**

-----  
\$4,003,777  
-----

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

**CATALYST FINANCIAL LLC**

**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**REVENUE**

Trading Profits	\$ 2,269,244
Interest & Dividend Income	269,747
Investment Banking	83,148
Consulting Income	56,000
Other Income	39,633

<b>TOTAL REVENUE</b>	<b>2,717,772</b>
----------------------	------------------

**EXPENSES**

Employment Compensation and Benefits	236,331
Occupancy Costs	33,865
Travel & Entertainment Expenses	47,473
Interest Expense	22,851
Professional Fees	70,806
Quotes and Tickers	6,227
Regulatory Expense	27,630
Other Operating Expenses	11,734

<b>TOTAL EXPENSES</b>	<b>456,321</b>
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<b>NET INCOME</b>	<b>\$ 2,261,451</b>
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**THESE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

**CATALYST FINANCIAL LLC**

**STATEMENT OF CHANGES IN MEMBERS' CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Balance, January 1, 2006	\$ 1,926,876
Net Income	2,261,451
Distributions	<188,000>
	-----
Balance, December 31, 2006	<u><u>\$ 4,000,327</u></u>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**



**CATALYST FINANCIAL LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**OPERATING ACTIVITIES**

Net Income	\$2,261,451
Adjustments to reconcile net income to	
Net cash used by operating activities:	389

Changes in Operating Assets and Liabilities:	
Increase in Deposits & Other Investments	< 58,885>
Increase in Marketable Securities Owned	<2,177,386>
Decrease in Due from Clearing Broker	413,350
Decrease in Accounts Payable and Accrued Expenses	<9,834>
Decrease in Due To Pension Plan	< 84,000>

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	345,085
--	---------

**FINANCING ACTIVITIES**

Member Distributions	< 188,000>
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<b>NET INCREASE IN CASH</b>	157,085
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<b>CASH AT BEGINNING OF PERIOD</b>	23,067
------------------------------------	--------

<b>CASH AT END OF PERIOD</b>	<u><u>\$ 180,152</u></u>
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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

## **CATALYST FINANCIAL LLC**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006**

#### **NOTE 1 – GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES**

Catalyst Financial LLC (Company) is registered as a broker and dealer in securities under the Securities Exchange Act of 1934.

The Company clears all of its transactions through one security clearing firm. The Company acts as a broker-dealer and is exempt from Securities and Exchange Commission Rule 1503-3 under paragraph k (2) (ii) since it uses another firm for security clearing.

The following is a summary of significant accounting policies followed by the Company.

a. Securities Transactions

Securities transactions and related revenues are recorded in the financial statements on a settlement-date basis; however, all transactions are reviewed and adjusted on a trade-date basis for significant amounts.

b. Depreciation and Amortization

Fixed assets are stated as cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets for both book and income tax purposes.

#### **NOTE 2 – NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Rule 15c3-1, Uniform Net Capital Rule, which requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006 the Company had net capital of \$1,513,725 which was \$1,413,725 in excess of the amount required. The Company's net capital ratio was .06 to 1.

#### **NOTE 3 – INCOME TAXES**

The Company has elected to be taxed as a Limited Liability Corporation, in which income and losses flow directly to the stockholder. Therefore, no provision for federal and state corporate taxes has been made.

## **CATALYST FINANCIAL LLC**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006**

#### **NOTE 4 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATION CREDIT RISK**

As a securities broker, the Company is engaged in various trading and brokerage activities on a principal and agency basis. The Company's exposure to the credit risk occurs in the event that the customer, clearing agents or counterparts do not fulfill their obligations of the transaction.

In the normal course of business, the Company enters into transactions in securities sold, but not yet purchased. Sale of securities not yet purchased represent an obligation of the company to deliver specified equity securities at a future date and price. The Company will be obligated to acquire the required securities at prevailing market prices in the future to satisfy this obligation which is recorded in the balance sheet at its current market value, as described above, may be in excess of amount recognized in the statement of financial condition.

**COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2006**

**NET CAPITAL**

Total Ownership Equity	\$ 4,000,327
Add:	
Liabilities Subordinated to Claims of General Creditors	
Allowable in Computation of Net Capital	--
Other (Deductions) or Allowable Credits	--
	-----
<b>Total Capital and Allowable Subordinated Liabilities</b>	<b>4,000,327</b>
Deductions and/or Charges:	
Non-Allowable Assets	76,053
	-----
Net Capital Before Haircuts on Securities Positions	3,924,274
Haircuts and Blockage on Securities Positions	995,405
	-----
<b>Net Capital</b>	<b>\$ 2,928,869</b>
	=====

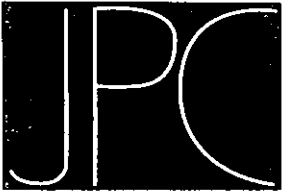
**AGGREGATE INDEBTEDNESS**

Item included in the Statement of Financial Condition:	
Accounts Payable and Accrued Expenses	3,450
	=====

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum Net Capital Required	100,000
	=====

There is no difference between this audited computation of net capital and that included in the Company's unaudited December 31, 2006 Focus Part II filing.



JOHN P. COMPARATO C.P.A., P.C.

P.O. Box 588 ■ Stony Brook, NY 11790  
631.689.0400 ■ 631.689.2877 Fax

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING  
CONTROL REQUIRED BY SEC RULE 17A-5**

To the Board of Directors  
Catalyst Financial LLC

We have examined the financial statements of Catalyst LLC for the year ended December 31, 2006 and have issued our report therein dated February 22, 2007. As part of our examination, we made a study and evaluation of the Company's system of internal accounting control (which included the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17z-3 (a) (11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures and practices and procedures referred to in the preceding paragraph to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from the unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future period is subject to the risk that they may become inadequate because of changes in conditions of that the degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weakness in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Catalyst Financial LLC as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2006, to meet the Commissions objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission and should not be used for any other purpose.

John R. Compton CPA

END